For all significant goodwill balances, except the goodwill tested for sensitivity below, if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

The following inputs applied when calculating the value-in-use calculation would need to be increased/decreased by the following amounts before any impairments would be required:

	Increase in discount rate %	Decrease in annual EBITDA %	Decrease in terminal growth rate R'000	Excess over carrying value R'000
CEC Proprietary Limited	**0.8**	**3.0**	**1.4**	**141 281**
Glocell Distribution Proprietary Limited	**2.4**	**12.6**	**4.5**	**30 796**
The Prepaid Company Proprietary Limited	**1.2**	**14.0**	**3.4**	**146 178**

The goodwill balances did not result in impairment charges for the year when compared to recoverable amounts (2023: Rnil).

4.2 Intangible assets

Intangible assets acquired through business combinations are initially carried at fair value as determined in accordance with IFRS 3 – *Business Combinations*. Intangible assets purchased are initially carried at cost.

Intangible assets have a finite life (unless indicated otherwise) and are stated at cost, less accumulated amortisation and accumulated impairment losses, if any. Useful lives are reviewed on an annual basis, and adjusted if appropriate.

Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life.

(a) Distribution agreements and customer relationships

Distribution agreements and customer relationships are amortised over their estimated useful lives of up to 13 years.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated for computer software over its estimated useful life (three to 10 years).

Costs associated with the maintenance of existing computer software programs are expensed as incurred.

(c) Internally generated software development

Costs incurred on development projects are recognised as intangible assets when the recognition criteria as set out in IAS 38 is met, which includes when there is an ability to use or sell the intangible asset and that it can be demonstrated how the intangible asset will generate probable future economic benefits.

Research expenditure and other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised internally generated software development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) over its useful life (five to 10 years). Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(d) Purchased starter pack bases and postpaid bases

Starter packs capitalised represent customer relationships that the Group has contractually acquired. The purchased starter pack base asset is identifiable as it arises from a contract. The contract provides the Group with control over the customer base. The customer base is intangible as it does not have physical substance and is non-monetary. This asset provides the Group with the ability to generate future economic benefits if the Group provides connection, upgrade and sales services to the customer base.

Amortisation is calculated over their estimated useful lives (10 years).

Purchased postpaid bases represent the right to share in the revenue of the cellular network in respect of contracts forming part of the acquired base, which comprises identifiable subscribers. Amortisation is calculated over their estimated useful lives (10 years).

4. NON-FINANCIAL INSTRUMENTS continued

4.2 Intangible assets continued

(e) Subscription income-sharing arrangement

During the 2021 financial year, the Group, through its subsidiary CEC, entered into an arrangement with Cell C to facilitate Cell C's operation of its postpaid mobile telecommunication business. The agreement commenced on 1 November 2020 for an initial period of five years, with the Group having the right to renew for a further four years. Upon expiration of the renewal period, Cell C has the right to terminate the arrangement for a fee, failing which the Group has the right to acquire the new subscriber base, or to nominate a third party to acquire it, for a fee.

The Group is entitled to receive a share of the subscription income generated by Cell C from a subset of postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade subscribers), plus certain fixed and variable payments. Cell C will remain entitled to the subscription income of existing subscribers at 31 October 2020 (Existing subscribers) for the remainder of the subscribers' contract and a share of the ongoing revenue of New and Upgrade subscribers. The income that CEC earns under the arrangement is primarily not as compensation for services provided, but rather as a result of the income stream that it has acquired. The Group and Cell C have outsourced the operation of the postpaid base to Vodacom as part of this arrangement. In return, the Group has undertaken to bear the operating costs in respect of Cell C's postpaid subscriber business for the duration of the arrangement. The operating costs of the postpaid base borne by the Group that are not associated with the New and Upgrade subscribers, are recognised as the cost of obtaining the subscription income-sharing arrangement. The Group has selected the cost accumulation model to capitalise these costs to the intangible asset as and when they are incurred, net of the variable payments from Cell C, which are considered to be Cell C's contribution towards those operating costs. All associated costs have been capitalised to intangible assets and as such the costs are fixed. The monthly capitalisation rate is determined by calculating the proportion of the monthly subscription revenue attributable to Cell C from existing subscribers at 31 October 2020 compared to the total monthly revenue arising from Cell C's postpaid subscriber base. The subscription income-sharing arrangement is carried at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated over the life of the arrangement, which is expected to be nine years. The operating costs of the postpaid base borne by the Group that are associated with the New and Upgrade subscribers are accounted for as and when they are incurred, and reduce the amount recognised as revenue (refer to note 1.2) as the Group is already receiving its share of the subscription income from these New and Upgrade subscribers.

(f) Subscriber acquisition costs

Under the subscription income-sharing arrangement with Cell C, the Group has agreed to bear the commissions that Cell C pays to third parties involved in signing up or upgrading the particular Cell C postpaid subscribers, from 1 November 2020, from which the Group benefits. Since these costs are incremental costs that would otherwise not have been incurred had the particular subscribers not signed up with Cell C, and because they are costs borne by the Group in order to share in the subscription income generated by Cell C from these subscribers, these costs are capitalised by the Group, when incurred by Cell C, and amortised over the expected life of the related subscriber contracts between Cell C and the subscribers, which is anticipated to be up to 36 months.

Critical accounting estimates and assumptions

Subscription income-sharing arrangement

Management applied significant judgement in determining the appropriate accounting treatment for the subscription income-sharing arrangement with Cell C. Since the substance of the agreement with Cell C is that of a right to a future net income stream, not to fund Cell C, management considered whether this right should be accounted for as a financial asset or as an intangible asset. Although the Group has a contractual right to receive (net) cash flows from Cell C, these (net) cash flows only originate from Cell C as and when it provides mobile telecommunication services to the particular postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade postpaid subscribers). Thus, Cell C does not have an unconditional obligation to make these payments to the Group before it has a contractual right to receive such payments from these subscribers, which means that Cell C does not have a financial liability at the commencement of the arrangement with the Group. In order for one party, the Group, to have a financial asset, another party, Cell C, must have a financial liability. In addition, the Group is undertaking activities, such as marketing, aimed at increasing the economic benefits to be derived from the arrangement with Cell C. Accordingly, management believed that the Group's right to future cash flows under the arrangement was not a financial asset, but rather an intangible asset. Significant judgement was also applied in determining the cost of obtaining the right to the future net income stream. Since the Group is prepared to bear Cell C's costs that do not relate to the income generated by Cell C from the New and Upgrade postpaid subscribers from which the Group benefits, it was determined that such costs constitute the cost of obtaining the subscription income-sharing arrangement.

Furthermore, since the variable payments from Cell C also do not relate to the aforementioned New and Upgrade postpaid subscribers, it was determined that these payments represent Cell C's contribution towards its costs borne by the Group, and that the cost of the intangible asset should be measured net of these payments, rather than recognising these payments as revenue. Capitalisation of these costs to the intangible asset ceased at 31 October 2022. The Group's share of the subscription income, net of the related operating costs borne by the Group, from the New and Upgrade postpaid subscribers, is recognised as revenue (refer to note 1.2).

The intangible asset forms part of the assets of CEC and a value-in-use calculation was performed on CEC at 31 May 2024 and no impairment was required, refer to note 4.1.

4. NON-FINANCIAL INSTRUMENTS continued

4.2 Intangible assets continued

Estimated useful lives and residual values

The relative size of the Group's subscription income-sharing arrangement, subscriber acquisition costs, purchased starter pack bases and postpaid starter pack bases makes the judgements surrounding their estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of these assets are assumed to be zero for purposes of measuring the related amortisation, including for the subscription income-sharing arrangement which may have a value at the end of its estimated life of nine years, since Cell C would be required to buy back the Group's right if Cell C elects to terminate the arrangement at that point. The estimated useful life of nine years is based on management's estimate that after the initial five-year period, the Group will renew for a further four years. The buy-back price is based on a formula that takes account of Cell C's income from the related postpaid subscriber base in the future, which is highly uncertain, and there is the possibility that Cell C does not buy back the Group's right, but that the Group buys the subscriber base from Cell C.

Accordingly, given the significant uncertainty surrounding the future value of the subscription income-sharing arrangement, management has assumed a residual value of zero.

	Distribution agreement R'000	Customer relationships R'000	Computer software R'000	Internally generated software development R'000
Year ended 31 May 2024				
Opening carrying amount	**207 341**	**380**	**26 842**	**107 190**
Additions	**—**	**—**	**36 549**	**117 424**
Amortisation charge	**(28 932)**	**(380)**	**(14 517)**	**(23 849)**
Impairments	**—**	**—**	**—**	**(1 500)**
Closing carrying amount	**178 409**	**—**	**48 874**	**199 265**
At 31 May 2024				
Cost	**557 055**	**119 856**	**162 753**	**261 735**
Accumulated amortisation	**(378 646)**	**(119 856)**	**(113 879)**	**(60 970)**
Accumulated impairments	**—**	**—**	**—**	**(1 500)**
Carrying amount	**178 409**	**—**	**48 874**	**199 265**
Year ended 31 May 2023				
Opening carrying amount	252 895	4 938	19 902	45 262
Additions	—	—	7 661	77 593
Acquisition of subsidiaries	—	—	8 301	243
Disposals	—	—	(4)	—
Amortisation charge	(45 554)	(4 558)	(9 018)	(15 908)
Closing carrying amount	207 341	380	26 842	107 190
At 31 May 2023				
Cost	557 056	120 556	150 244	194 694
Accumulated amortisation	(349 715)	(120 176)	(123 402)	(87 504)
Carrying amount	207 341	380	26 842	107 190

* Included in the amortisation charge is an amount of R330.6 million (2023: R371.3 million) in respect of the purchased starter pack bases and postpaid bases, subscription income-sharing arrangement and subscriber acquisition costs, which is charged to the direct operating costs line in the income statement.

Purchased starter pack bases and postpaid bases R'000	Subscription income-sharing arrangement R'000	Subscriber acquisition costs R'000	Total R'000
33 272	**1 059 023**	**149 183**	**1 583 231**
480	**—**	**127 768**	**282 221**
(9 131) *	**(165 041)** *	**(156 378)** *	**(398 228)**
—	**—**	**—**	**(1 500)**
24 621	**893 982**	**120 573**	**1 465 724**
357 037	**1 355 789**	**603 633**	**3 417 858**
(332 416)	**(461 807)**	**(483 060)**	**(1 950 634)**
—	**—**	**—**	**(1 500)**
24 621	**893 982**	**120 573**	**1 465 724**
53 962	1 104 436	184 154	1 665 549
—	117 528	152 660	355 442
—	—	—	8 544
—	—	—	(4)
(20 690) *	(162 941) *	(187 631) *	(446 300)
33 272	1 059 023	149 183	1 583 231
356 557	1 355 788	475 865	3 210 760
(323 285)	(296 765)	(326 682)	(1 627 529)
33 272	1 059 023	149 183	1 583 231